

Summary Minutes
Special Budget Work Session Meeting
Thursday, May 6, 2010
2:30 p.m.
City Council Chambers, City Hall Plaza
102 Roadrunner Drive, Sedona, AZ

1. **Call to Order/Pledge of Allegiance:** Mayor Adams called the meeting to order at 2:31 p.m.

2. **Roll Call:** Mayor Rob Adams, Vice Mayor Cliff Hamilton, Councilor Pud Colquitt, Councilor Dan Surber, Councilor Nancy Scagnelli, Councilor Mark DiNunzio, and Councilor Jerry Frey.

Council-Elect present: Dennis Rayner, Barbara Litrell, Dan McIlroy and Mike Ward.

3. **Public Comment:** *Public comment on all budget items will be taken at the outset of the meeting. Each person commenting will have a maximum of two minutes. The entire period for the public comment will not exceed thirty minutes.*
4. **Work Session on City of Sedona budget for FY 2010-2011. The council may take action to give direction to the city manager regarding amendments or changes to the proposed city budget:**

- a. **Continuation of items not completed during the Tuesday, May 4, 2010, 2:30 p.m. Special Budget Work Session Meeting.**

Tim Ernster stated you'll first review funds set aside for NAIPTA. Over the last five weeks, we've had a number of meetings with NAIPTA staff and we've come up with alternatives including a percentage reduction in the budget to the possibility of eliminating the Roadrunner. Andi Welsh is the staff liaison with NAIPTA.

NAIPTA

Andi Welsh, Community Services Director, stated we've had several discussions with NAIPTA staff. The original request we got from NAIPTA was \$215,000, but they then reduced that to \$198,000. We asked them what service would look like if we did a 10% budget reduction to impact the Roadrunner service only. They came back with three options ranging from reducing the number of trolleys during their peak hours. The second option was cutting a day of service. The third option was cutting it from an 8-hour day to a 7-hour day. That's what staff recommends. It'd be about a \$113,000 reduction to eliminate the Roadrunner. There'd be about \$150,000 in savings. We recommend you phase that out over a six month period so we could notify people.

Tim Ernster stated it'd cost \$113,710 to continue with Verde Lynx and get rid of Roadrunner. It would cost \$150,000 to phase out the Roadrunner over the next six months.

Andi Welsh stated we're looking for direction on what you want to do with the Roadrunner.

Jeff Meilbeck, NAIPTA, stated neither of the options is status quo. Our goal is to provide the type and quantity of service the city wants. Each option has advantages and disadvantages. We can go in whatever direction you would like.

Alison Zelms stated any adjustment you make tonight will be on the \$198,000, not the \$215,000. The \$198,000 is what it would cost to run the Roadrunner and Lynx next year. A 10% reduction would be \$168,828.

Councilor Scagnelli asked if the one hour service less a day would be in the morning.

Jeff stated we'd be looking at 11 a.m. to 6 p.m. service.

Councilor Scagnelli stated as a merchant in Uptown she feels like the numbers were up in March and April, do you have those numbers?

Jeff stated they are up. In April we came in with 35/36 riders per hour on the Roadrunner.

Councilor Scagnelli asked how the Lynx is trending.

Jeff stated it's trending up. We were up to 6.8 riders per hour last month. The goal was to be between 6 and 9 riders per hour.

Councilor Scagnelli stated if we reduce one hour on the Roadrunner do you feel you'll be providing adequate service to the public?

Jeff stated all the options have an impact but we wouldn't have recommended them if we didn't feel they left us with a viable system. This one is the least impactful on ridership.

Councilor DiNunzio stated \$198,000 provides Roadrunner and Lynx, so the Roadrunner operates at a \$75,000 budget cost to the city?

Andi stated it's their best guess of what the systems cost, but if you eliminate one system, there will be impacts to the other part of the system because there will still be costs associated with operating that system.

Jeff stated there's an economy of scale and fixed costs that are spread over two programs. When we eliminate one program all the costs for the other program don't go away.

Councilor DiNunzio asked if there are capital costs on the horizon.

Andi stated they've requested \$46,000 for the Lynx program. They've submitted capital requests for \$240,000 to rebrand the vehicles. If we want to look at new vehicles is one option.

Mayor Adams asked if there's funding for building the shelters?

Jeff stated yes.

Alison Zelms stated the cost for the shelters is in the capital request, not this budget.

Councilor Colquitt stated these are two different services. The Roadrunner is tourist oriented and the Lynx is used for Sedona and Cottonwood for commuters.

Jeff stated the Roadrunner has been in existence four years. The original plan had three phases. The plan has been modified over the past six years.

Councilor Colquitt asked if there's a plan now. Are we discarding the original? Transit systems are very expensive. She hopes there is a plan. Do you want a decision if we're going to go forward with the transit? In the course of this you have an option of getting rid of the connector.

Jeff stated there is no recommendation to discontinue Verde Lynx. That's been popular. The Roadrunner has been controversial from the beginning. The staff report says do away from the Roadrunner or modify it to make it better fit Sedona's needs.

Tim Ernster stated we're treating NAIPTA as if it were an outside agency at this point. We're recommending a 10% cut in their funding. We're asking that when they make that calculation, that it didn't affect Lynx. They came back with three options. The one staff likes best is reducing their hours to 7 hours a day. If Council is interested in eliminating the Roadrunner service, staff recommends you phase that out. You need to dispose the buses. If you want to go with the 10% cut, you could evaluate Roadrunner this next year and look at alternatives, like hybrid vehicles.

Mayor Adams stated the best approach is to go with Option 1 which decreases service and allows us to hit our 10% goal. Option 1 gives us time to make a plan and allows the new Council some time to make a decision as well.

Vice Mayor Hamilton asked NAIPTA to confirm that they can take the buses back, that the city isn't stuck with them?

Jeff stated we can't guarantee that will happen. The city chose to buy those trolleys. NAIPTA can work to get them transferred to another organization, but we can't speak for another organization.

Vice Mayor Hamilton stated he understands NAIPTA must take them back. He hasn't heard this story before. \$240,000 of capital is attached to the Roadrunner in addition to \$168,000 operating cost, that's \$340,000 we're putting out next year to keep this running?

Jeff stated in terms of capital we're not sure what the city will want in the future. We're trying to get grants for new vehicles. If it's not in the budget now and if the city decides they want new vehicles, we won't be able to buy those.

Tim Ernster stated NAIPTA has budgeted over \$1 million for hybrid buses to be acquired this next fiscal year. If Council wanted to look at something else, then we wouldn't have to come up with the 20% for those buses.

Tim Ernster asked Jeff if he found another agency willing to take the trolleys, would Sedona be responsible for whatever is remaining.

Jeff stated the responsibility would travel with the vehicles to whatever city took the vehicles.

Mayor Adams stated we're here to make a choice among three options.

Councilor DiNunzio stated the business model is not going to achieve the goal the city had four years ago. In order to move 26 people an hour around the business district doesn't work for me. It's not enough people. We ought to bite the bullet and move out of Roadrunner and make a decision in the future for other alternatives that move 250 people per hour.

Vice Mayor Hamilton stated there will be another budget work session like this in the middle of June with the new Council where all these topics will again be on the table. We've spent 30 minutes already on this. A simple presentation from each group will be sufficient. It won't be this Council that makes a final decision on this budget. It will be at the work session in June with the new Council.

Tim Ernster stated there is a work shop tentatively planned for June 10 to provide the new Council one more opportunity to review the budget. Any changes to the budget between tentative adoption and final adoption, all you can do is move that money around.

Vice Mayor Hamilton stated the decisions we make today aren't all final.

Mayor Adams stated we're not here to educate everybody, we're here to make a decision. We need to make a decision in order to set the cap.

Councilor Colquitt stated she wonders what she's doing here. Based on what Vice Mayor Hamilton says, we're doing something very unfair to every nonprofit, they're going to get a number today and they plan for a year, what do they do six months from now. She can go home. She can go ride her horse.

Mayor Adams stated we're here to set the cap.

Dennis Rayner stated with respect to Option 1, knowing we have high and low seasons, does it make sense to take across the board cut, wouldn't it make more sense to keep it going a longer amount of time during high season and cut it more during low season.

Jeff stated that does make sense. That's something we've looked at. 68% of the program is paid for by granting agencies, and they won't allow us to run it seasonally.

Barbara Litrell stated she heard we're transporting 26/hour, then she heard 35/hour. Either way are we talking about individuals?

Jeff stated we're talking about boardings. Every time someone gets on the bus, we count them.

Mayor Adams stated we've had this discussion a number of times on Council; he doesn't want to go down that road.

Mike Ward asked if the federal and state funding has been locked in.

Jeff stated we've submitted a grant for FY11, we have funding until October. The contract won't be signed until sometime this summer.

Dan McIlroy stated Vice Mayor Hamilton made a study and reported to us as candidates saying if it ran full each time; it wouldn't accomplish any of the three goals. And we're certainly not running full. Are we coming close to the break-even point of getting shoppers moving and cars off the road.

Jeff stated we studied this with the Citizen Review Commission a year ago. We've met all those goals.

Dan McIlroy stated if we were to take the number of riders every year and divide that into the system, do you know how much it'd cost to transport one rider, it'd be cheaper to hire a cab.

Jeff stated it's around \$3/boarding.

Councilor Scagnelli stated she's in favor of Option 1. She's in favor of continuing the Roadrunner. She's curious on why we're picking on the Roadrunner when all we move is 6 people with the Lynx.

Councilor Surber stated both service are beneficial to the community. Roadrunner still needs a chance to work without construction. There's more than just hard statistics. He agrees with Option 1.

Councilor DiNunzio stated Option 1 won't do anything for the community. He votes for Option 2.

Vice Mayor Hamilton stated he's in favor of leaving in the biggest number we can and move it around on June 10. The purpose is to set the cap, so he doesn't mind leaving the biggest number in there.

Councilor Frey stated Option 2.

Councilor Colquitt stated Option 1.

Mayor Adams stated direction to staff is Option 1.

Sedona Oak-Creek Chamber of Commerce

Linda Goldenstein, Chair of the Board of the Sedona-Oak Creek Chamber of Commerce, stated hundreds of cities invest in tourism. Most cities invest 50% in the Chamber from bed tax. Many cities invest 100% directly to tourism. In Sedona we invest 30% to promote tourism. In Sedona for every dollar we spent in PR, we generated \$200 in ads. Last year, \$3.4 million was generated for the city by our hotels alone. We must invest in tourism in order to ensure future revenue. The Chamber provides Destination Marketing. For the \$278,000 investment, the city receives services 365 days a year. In April we serviced 950 calls. We've assisted 30% more visitors this year than 2009. We cannot cut any further without impacting hours at the Visitor Center. Last year the Chamber received a 17% cut from the city. We understand cuts must be made, but please be wise when cutting the hand that feeds us. Our business community has been burdened by fire, construction, floods, wastewater fee increases and SB1070. As the Arizona Republic reported: 10,000 rooms cancelled since last Friday. People go where they are invited; it's the most basic marketing concept. Business to business advertisers that increased their advertisers during the 1980s recession averaged higher sales growth. We ask that the cuts to our contract to services be temporary and in years to come we ask you increase funding to the Chamber to compete on the national level. We represent one of the most beautiful and desirable tourism destinations in the country.

Mayor Adams asked Linda if they could live within the 5% recommended cut.

Linda stated we can live within it, but we're hoping in the future there are no more cuts to the Chamber. Over the past two years it'll be a 22% cut, but any further cuts will have an impact on visitor services.

Councilor DiNunzio asked if the call center was under the Chamber.

Jennifer Wesselhoff, CEO, stated yes, it's under the Visitor Center. We service about 30,000 calls a year.

Councilor DiNunzio stated within the Visitor Center are there any revenue generating opportunities for the Chamber?

Jennifer stated we provide advertising opportunities for our members at the Visitor Center. We're getting flack for that because we work hard to provide unbiased information at the center.

Councilor Colquitt asked have you had any pay increases or staffed new positions?

Jennifer stated we haven't budgeted any wage increases in 2010 or 11. We haven't increased our staff. We've looked at ways to streamline and cut costs. We've made changes to our group health insurance and we've eliminated a full time position and created two part time positions to save on benefits.

Vice Mayor Hamilton asked how Destination Marketing takes place.

Jennifer Wesselhoff stated the city invests \$220,000 in destination marketing. That is received by the Chamber on a bimonthly basis. With that we have a marketing committee made up of 20 members of the community. We develop a program of work based on their input and implement that based on our projections. We spend \$330,000 in direct marketing, that's print, TV and internet marketing. We are the professional marketing organization that the city pays to do this service. We don't subcontract out.

Mike Ward stated you spent \$330,000 for marketing last year. \$220,000 came from Sedona?

Jennifer stated our expenses equal about \$412,000. The \$220,000 is the investment by the city. We spend \$412,000 in our tourism division. We have 9 full-time employees and 7 part-time employees. Tim could share with you our budget. The \$220,000 from the city is allocated to the tourism class. We don't use public funds to operate administrative or membership functions of the Chamber.

Barbara Litrell asked what percentage is funded by the city?

Jennifer stated our total budget will be \$1.2 million. Of that the city pays 70% of the operational cost of the Visitor's Center and 40% of the marketing.

Council agreed with the 5% cut staff recommended.

Tim Ernster stated the act of setting the cap won't occur until you adopt the tentative budget on May 25.

Mayor Adams stated Council is suggesting following staff's recommendation across the board, is that right?

Councilor Frey stated that's right.

Mayor Adams stated we owe is to each organization to listen to what they have to say.

Councilor Scagnelli stated it's her understanding you're having all these people come back June 10.

Tim Ernster stated no, June 10 will give the new Council a chance to review the budget.

Councilor Scagnelli stated she's confused. Is this the only time Council-elect will hear them?

Mayor Adams stated we're not intending on doing this again.

Main Street Program

Becky O'Banion, Main Street Program, stated there are 11 active Main St. Programs in Arizona. You have to have a non-volunteer management or coordination staff and they have to participate in state-wide activities. We're happy that as we worked with city staff, that the 5% cut is something we can work with. We have anticipated this. We haven't had any pay increases and don't plan to. We've worked to freeze our rent on Jordan Road. We've tried to cut overhead as much as possible by leaning on donations and sponsorships. We've stayed ahead of the curve. Our demography is based on stakeholders, who falls in our boundaries, whether they're members or not. Our work plan includes partnering more with city staff as we get back into enforcing signage and outdoor display ordinances and educating businesses on the value of on-street parking. We're going to develop a series of educational cards. We continue to host and sponsor our special events that the community has become accustomed to. For an investment of \$68,100, it's a 500% return on your investment.

Councilor Colquitt stated she's fine with what staff suggested.

Vice Mayor Hamilton stated last year you had \$130,000 reserve fund, is that still in the ball park?

Holly Epright, Executive Director, stated she didn't bring their current balance sheet. She'll get them their annual report. It's in the general vicinity.

Dan McIlory asked what percentage of the \$68,000 is that to your overall budget?

Holly stated it's about 65% of their budget.

Council agreed with staff's recommendation of a 5% reduction.

Sedona Public Library

Virginia Volkman, Director, stated a 5% reduction seems reasonable under the current economic conditions and we're prepared to work it into our budget. Residents of all ages come to the library to be informed and to enjoy cultural and civic events. Last year we cut Monday evening and Sunday afternoon hours due to funding. We'll continue that. We continue to offer programs and services. We partner with organizations to bring programs at no cost to the library. We bring our story times on the road and serve people outside the building. We offer the use of the Si Birch Community Room. Local groups depend on our building for a space to conduct their programs. We continue to offer traditional library services. We are receiving federal stimulus funding to purchase public access computers so we hope to add those by the fall. A computer literate population helps the entire community. Most of the operating funds come from the city and Coconino and Yavapai Counties. With the city and Coconino County's reductions, we see a \$43,000

reduction. We have made efforts to save approximately the same as we're being cut, which should allow us no reductions of services to the community.

Mayor Adams stated it's clear all the organizations provide vital services to the community. We all share the pain.

Councilor Colquitt asked what percentage Coconino County cut the library.

Virginia stated about a 5% cut.

Councilor Colquitt asked if they have increased staff or salaries?

Virginia stated we haven't increased staff. Our pay increase is on a calendar year. We did a 3.5% merit increase.

Councilor DiNunzio stated looking at your annual reports he noticed Yavapai County funds at half of what Coconino County funds are they funding it another way?

Virginia stated their budget picks up the bigger cost for us to be on their county wide computer system we operate under. It's almost services in lieu of funding.

Councilor Scagnelli asked what percentage is funded with private money.

Virginia stated their entire cost for buying materials is with private money. It's 8% of their general operating budget, probably 20% of their operating budget. There has been a decrease in the private funds.

Dan McIlory asked how many full-time employees?

Virginia stated we have 7 full-time and 11 part-time. We're divided about 50% with paid staff and 50% volunteer.

Mike Ward asked if the counties have been living up to promise of more sales tax to the library.

Virginia stated they have been.

Mayor Adams stated he has concerns about the library giving a 3% increase to employees when no one else including the city has.

Virginia stated that was made at a time when there were fewer staff and they were all pulling a greater load. The board made it before she arrived, but it was made when staff was pulling more than they normally would.

Councilor Colquitt stated she agrees with Mayor Adams. She'll go along with 5% but she'd be happier with 7%.

Councilor Frey stated he agrees with 7%,

Vice Mayor Hamilton stated he wants 5%.

Councilor Scagnelli stated she'll change hers to 7%.

Councilor Surber stated he stays with 5%.

Councilor DiNunzio stated he'll shift to the 7% because of the financial health of the library. Their cash reserves are significant. The city's level of support is generous at 5 or 7% given the other levels of support.

Mayor Adams cautioned Council because the library's budget has been set, correct?

Virginia stated it hasn't been voted on.

Mayor Adams stated the recommendation to staff is 7%.

Sedona Community Center

Jeff Buresh, on Board of SCC, stated our mission divides into two main parts. The first is social support services to seniors. The second category is programs and activities. The service portion operates at a loss. Our programs are expected to operate at a profit. We gave no raises and we're not budgeting any raises. We reduced staff and are anticipating more. Serious reductions have been made in maintenance. We'll move into the new fiscal year with a reserve of \$70,000. We should finish the year with about \$30,000 in operating reserves which is equivalent to a month's worth of expenditures.

Councilor Colquitt stated the \$71,025 that we're reducing; where will that come from?

Jeff stated it will come from operating reserves.

Councilor Scagnelli asked if they're serving more people.

Jeff stated the numbers are up slightly.

Dan McIlory asked how many full-time employees?

Jeff stated two. Most are volunteers; most don't get reimbursed for using their vehicles. Apart from the city, they should bring in \$70,000 from a tax credit. Private donations fluctuate the most. We do about 1,200 meals on wheels a month.

Mike Ward asked if they get funding from United Way.

Jeff stated not in the past two years. We get some money from NACOG, about \$35,000-\$40,000.

Mayor Adams asked if they get money from the Sedona Community Foundation.

Jeff stated that's for one-time programs.

Mayor Adams stated we're good with the 5% reduction staff recommended.

Sedona Recycles

Jill McCutcheon, Executive Director, stated we provide recycling facility for the city. We opened a drop off site on Posse Grounds adding a second site. In 2009 we cut hours, most employees took an 8 hour cut and those on salary took pay cuts. We were able to bring those back up to previous hours, but there were no raises. We can work with a 5% cut. The city's funding represents 7% of our operating budget.

Councilor Frey asked if they're down a machine.

Jill stated no.

Dan McIlroy stated apart from the 7% from the city, where do you get your revenue?

Jill stated each town and city pays for them to haul materials. We rely on business accounts, memberships, fundraising.

Mayor Adams stated direction to staff is the 5% reduction.

Humane Society of Sedona

Birgitte Skielvig stated the city is recommending no cuts. In September the state passed a law requiring us to recover a fee for animals brought in. That will total \$3,500 in one year. Those fees are then remitted to the city. Currently the city provides up to \$2,500 in aid to spay and neuter animals. With the savings of the \$2,500 and the fees collected of \$3,500 for a total of \$6,000 that's more than if the city were to decrease our budget by 10%.

Councilor Colquitt stated she'd love to give them money. Have you hired new people or increased salaries?

Birgitte stated we're hiring out for our fundraiser, but we're doing away with that and bringing it in-house.

Vice Mayor Hamilton stated the law requires the city to support or maintain a humane society, he doesn't know what level of funding the law requires the city to provide.

Birgitte stated in 2001 we had a cost of services study performed for the Humane Society. Back then, the options were the city could house their own animals and run their own pound. They'd pay more than \$40,000 a year to do that.

Sedona Teen Center

Hayley Bruemmer, Executive Director of Boys and Girls Clubs of Northern Arizona, stated they're aware of the tough times. They anticipated a cut in funding. Staff recommended a 5% cut. We can live with that cut and they appreciate the consideration that went into the decision. All salaries have been frozen. We hired a new full-time teen director this year. Our attendance and membership has increased on the teen side, a 200-300% increase. It was funded by federal stimulus funds and we expect to continue the position through private donations. The city funds represent 20% of our budget and all funds will go to the Teen Center. We've focused on community outreach this year. We partnered with the Community Center to launch their time bank program. The clubs are a necessity to the community. Most of our members come from single-family households and the members that have two parents, both of them work. We can accept and work with the cut this year but we request your consideration in the future not to reduce funds.

Dan McIlroy stated demographically Sedona isn't a normal community in the sense of families. What kind of numbers by way of children do you support?

Hayley stated they have approximately 300 members and another 200 who come to our special events.

Dan McIlroy stated he hopes her club fills the void for latch-key kids or those with substance abuse problems.

Hayley stated when a parent works until 6 p.m. then you have to make dinner, the last thing you have time for is to help your child with homework. We can send the children home with their homework already done. We've taken a greater role with the Substance Abuse Coalition this year.

Barbara Litrell asked how many children they serve per day.

Hayley stated 15-30 children and 35-50 teens.

Arts & Culture

Ginger Wolstencroft stated she took the proposed cuts to the Arts & Culture Commission meeting yesterday. On item 1, since the funds for the special programs is moved to General Services, they'd like a line item specified for Arts & Culture special programs.

Tim Ernster stated we can do that without any problem.

Alison Zelms stated Barbara Ashley just did that.

Ginger stated in terms of the reduction, they'd like to retain their current funding. Last year, special program were at \$199,000. They would like to retain \$107,500. They feel the balance should go out for the possible money for the performing arts center. If you were to reduce \$42,500, they request it comes out of the performing arts center. They feel

that's a special unique thing that should be outside their funding. They're asking to add in \$7,500.

Alison Zelms stated the difference in changing the library's funding is \$7,500.

Tim Ernster stated the target was \$143,000. Right now you have \$30,000 of room you could allocate. Currently there's \$25,000 left in the current year budget. We met with the superintendent of the school district and he was interested in getting bridge funding. If you combine the \$25,000 with the \$15,000 we recommend for next fiscal year that's \$40,000 that would be available. We don't have an IGA yet. In meeting with the various agencies, the thought was the performing arts center is new, so if we are to reduce funding somewhere that is an area we could do it.

Councilor Colquitt asked what sort of agreement the city made with the school district.

Alison Zelms stated we don't have an official agreement with the school district. We've talked multiple times. The school district would operate the facilities and offer a certain number of days to the public. They would have cost recovery to operate the facility those days. Another possibility is to have a full-time staff member to facilitate the use of outside groups that might generate ticket sales. The \$50,000 would cover far more than half of the salary. We've never received all the information we requested to determine the community benefit.

Councilor Colquitt stated one of the big things was the community benefits that center would provide.

Alison Zelms stated because it's not finished you're not going to hire someone to manage a facility that's not complete. We have never been able to get all the information that's necessary to know we're getting a community benefit. Are the fees associated with the cost of the facility reasonable enough that a group will go there and not somewhere else?

Councilor Colquitt asked if there's a purpose to put this in this year's budget at any amount.

Tim Ernster stated that's why we recommended the funding be reduced for next year. At the last formal meeting, 6-8 weeks ago, Mike Aylstock was going to get us a formal letter and we haven't seen anything. We don't have details on their schedule to hire anybody. We recommend it go from \$50,000 down to \$15,000. If you decided to leave the \$7,500 in the arts funding, it would drop even more. And there's \$25,000 left in this year's budget that was set aside.

Alison Zelms stated the \$25,000 in this year's budget wouldn't roll over; it would go into the reserve.

Tim Ernster stated if you really want to give it to the district you should do it in the current fiscal year.

Mayor Adams stated if we were going to have a surplus it would be larger if we don't fund the school district \$25,000.

Alison Zelms confirmed.

Vice Mayor Hamilton stated this area gives him the most heartburn of all of them. If we have surplus that would mean that we do have money that is available to place somewhere?

Tim Ernster stated you have reduced funding to outside agencies by \$170,000 and the target was \$140,000.

Vice Mayor Hamilton stated so we could go back through this list and look at the social needs we identified.

Tim Ernster stated if you increase the funding levels to other sources, you could do that within \$30,000.

Councilor DiNunzio stated the funding went from \$50,000 to \$170,000 then dropped to \$106,000, what precipitated the increase?

Ginger stated in 2006 Council approved the qualifying art grants that used to be in the city manager's budget. That's where we got in the \$190,000 range. Last fiscal year, that's where the reduction took place. The \$50,000 for the performing arts center came into the budget but it also reduced the special programs budget.

Councilor DiNunzio stated so in 2005/06 the city was dishing out close to \$200,000 to the same organizations?

Ginger stated there were five major art organizations that were reduced to four. Last year those four saw a drop to \$120,000.

Ginger stated we ask each organization to submit a final report every year. When we do funding for them, they have to spell out what they'll be using the money for. 50% of what we give them, they have to use for marketing. They have a final report they submit to the city. The commission reviews those documents. They administer the program. Whatever funds Council approves, they review the applications and decide the funding levels. The commission is asking council to fund at the same level as current year.

Councilor DiNunzio stated but we're asking all the other organizations to take reductions. It doesn't seem fair.

Mayor Adams stated there was a disproportionate reduction to A&C last year.

Mayor Adams asked if the major arts organizations are moving toward being self-sustaining. The film festival is thriving. Clearly the benefits are there. Are we seeing them move toward being self-sustaining?

Ginger stated if you want this information, it'd be obtainable from all the art organizations.

Mayor Adams stated we should be looking at their financial statements to determine if they're making the cuts necessary to operate sufficiently.

Mei Wei Wong, Director of Sedona Arts Center, stated for the past two years they've had reduced staffing and no pay increases. They hold near and dear to their hearts that they will be self-sufficient. That's why they created the Sedona Photo Fest in July. She believes all the organizations are moving toward that direction.

Mayor Adams stated he's still in the dark. Has staff looked at numbers for these qualifying arts organizations?

Tim Ernster stated we didn't do that as part of this most recent evaluation.

Ginger stated they're required to submit a financial report at the end of the fiscal year. We will have that at the end of the FY. At the application process there are various questions about public benefit, their attendance, their budgeting. They're all strong in all those areas. The commission is very prudent and mindful.

Pat Reed, A&C Chair, stated all of these major arts organizations are struggling. They're suffering from the same things because they're so dependent on private funds that have decreased. We give the applications great scrutiny. We haven't asked them about staffing. We looked at attendance. We're all in the same boat. Since these programs provided by those four major organizations are the lifeboat of the community we've tried to be as supportive as possible.

Councilor Colquitt asked staff about their opinion on the request from the commission.

Tim Ernster stated we can request additional information from these organizations if you would like.

Councilor Colquitt stated do you stand by your recommendation?

Tim Ernster stated we stand by our recommendation. We feel in this category, the major portion in the cut should be applied to the performing arts center.

Councilor Colquitt stated they should know what we expect every year. She'll go with staff recommendation.

Councilor Frey agreed.

Vice Mayor Hamilton stated we didn't start funding these big organizations until 2006-07.

Ginger stated it was in the city manager's budget in 2006.

Alison Zelms stated in 06-07 it was in the contingency fund, and then shifted to the arts budget. It began in 06-07.

Vice Mayor Hamilton stated we have an application form. We create a contract with them once we decide to provide funding that spells out the services they provide?

Ginger stated we don't have a contract, it's an application. They sign off in terms of what they're asking for. When they receive it they are responsible for what was in your application. It's a grant, it's not a contract.

Vice Mayor Hamilton stated so we are providing financial support, which puts it in direct violation with the Gift Clause. We should have these grants before they're approved come to Council. All the other committees make recommendations to Council. We can solve the problem of information by going with staff recommendation then making the grants come to Council. He'll go with staff recommendation.

Councilor DiNunzio agreed with staff recommendation. Funding levels can be revisited if we have a better year.

Councilor Surber agreed with staff recommendation.

Councilor Scagnelli stated A&C budget has been disproportionately reduced over the past years. She'd be willing to put the \$7,500 in their line item and leave the performing arts center at \$7,500.

Alison Zelms stated if you have \$115,000 available, you're setting that as the cap.

Mayor Adams stated he agrees with Councilor Scagnelli. The major arts organizations provide a return on investment. The film festival is huge to this community. He'd like to see an increase in the funding. Let's say \$5,000. He does have a problem with the decision-making process. Would anyone be interested in joining in at \$5,000.

Councilor Frey stated they can have \$115,000. That's the recommendation from staff.

Councilor Scagnelli stated what she was saying is that we make A&C/special programs be \$107,500 for them to administer, and then reduce the performing arts center to \$7,500. So we're not increasing, but they won't deal with any more cuts.

Alison Zelms stated she has \$107,500 for special programs and \$7,500 for the performing arts center.

Council agreed.

Vice Mayor Hamilton stated he'd stay with staff recommendation of \$100,000. \$7,500 doesn't seem to do anything for the performing arts center.

Dan McIlroy stated Vice Mayor Hamilton brought up the City North case and the gift clause. You're dealing with gray areas. The public benefit versus return on investment is a gray area. In case someone wants to challenge that gift down the road we should clarify why that decision was made.

Mayor Adams stated that's where we're headed next year.

Mike Ward stated why not take the \$7,500 left in performing arts center and stick it in contingency.

Barbara Litrell stated cutting the performing arts center from the budget without having a conversation with them would leave us wide open. We should have a conversation with them during this budget time.

Tim Ernster stated you could take the difference between the target and what you've already cut and allocate it to arts. The difference is \$36,000.

Mayor Adams stated we'll talk about the rest of them and come back to this one.

Historic Preservation Grants

Kathy Levin stated they initiated the small grants program in 2006-07. The intent of the program is to provide an incentive to designate the properties. There are three properties listed on the National Register of Historic Places. For the first three fiscal years Council funded the program with \$15,000 each year. This current FY Council appropriated \$12,000. The program provides grants from \$1,000-\$5,000. The grant recipients are required to match at least 50%. We now have five new properties listed as Historic Landmarks. The city provided \$50,000. Property owners invested \$95,000 to make these grants happen. We're requesting \$4,000. Until 10 minutes ago, staff recommended no funding for this program. They are now recommending that funding.

Councilor Colquitt stated she agrees with staff's new recommendation. She thinks the Historic Preservation Commission is great for the community.

Council agreed with the \$4,000 request.

Councilor DiNunzio stated he serves as council liaison to the commission. The use of the money encourages people to maintain the historic appearance of the property.

Dan McIlroy asked if this is the only funding available.

Kathy stated for this type of program there are tax rebates available for commercial properties. There are certified local government grants available but not for individual property restoration and preservation.

Kathy stated they've done small repairs in the past, like termite removal from the Keep Sedona Beautiful building. There are small grants that are doubled or tripled by the property owner to achieve the project. Other projects range from \$3,000-\$5,000. We might fund one or two projects with \$4,000.

Trauma Intervention Program

Sue Rutherford, Executive Director, stated we're volunteers called out when there's any type of crisis. We stay with family, friends, victims, witnesses. We're available 24/7. We go anywhere, any time. The program came to Yavapai County in 2000. We began in Sedona in 2008. We are run by about 70 volunteers with one full-time staff member and one part-time staff. We run a tight budget. In 10 years we've never raised our rates and we've never given a raise. Not only are we there to assist, but we're there for the emergency personnel. We allow them to get back into service quicker. We can provide information from around the county to anyone who requests it. This is huge because community resources are much needed in the area.

Mayor Adams stated staff recommendation was no cut.

Tim Ernster stated we felt cutting it was such a small amount of money because they get such a small amount to begin with.

Councilor Colquitt asked if this is specifically Yavapai County?

Sue stated we'll work with Coconino if any of the agencies we work with call us. If Sedona Fire District is in Coconino County and they request us, we go.

Vice Mayor Hamilton asked what percentage of the money it takes to serve the Sedona area is this \$2,500.

Sue stated it takes \$10,000 to serve Sedona. The rest comes from fundraising and grants.

Councilor DiNunzio asked how many volunteers are in Sedona.

Sue stated about 10 in Sedona and 35 that serve Sedona. In the last year we assisted 1,400 people. In Sedona we assisted 155.

Vice Mayor Hamilton stated this provides a major community benefit and he looks at other things we fund at much higher levels that don't serve the community in the same way.

Councilor Colquitt stated she'd be open to increasing TIP, Sedona Community Center and the Sedona Teen Center.

Barbara Litrell asked what's TIP's total budget.

Sue stated \$188,000.

Dan McIlory asked what the \$2,500 is used for.

Sue stated the volunteers and staff donate all their fuel. It goes toward training. 50% of the people who come out for our program are eliminated.

Mayor Adams stated we could hold the recommendation until we go through other ones then look at funding to disperse among these. If we have some money to play with we may want to disperse that money at the end of this discussion.

Yavapai Advocacy Center

Andi Welsh stated they provide forensic investigative relief to our police department.

Council agreed with staff's recommendation.

Event Funding

Alison Zelms stated we recommended the same level of funding provided in the current year, which is \$10,000. There was \$20,000 in the budget originally, but we only provided \$10,000 this year, so staff recommends maintaining that level.

Councilor Scagnelli asked if we talked about having the Chamber administer this money.

Andi stated yes, we talked to the Chamber but we were waiting to get some direction.

Councilor Scagnelli stated \$10,000 is a small amount of money. Maybe it'd make more sense for the Chamber to use it for marketing.

Mayor Adams stated an Events Coalition has been put together by the Chamber and that's one group that could look at that.

Councilor Scagnelli stated all the money we've been talking about comes from sales and bed tax and if we don't market well... We need to rely on the Chamber to bring people in so we have the money this year and next.

Mayor Adams stated it's an additional way to market Sedona through other ways.

Councilor DiNunzio stated the city was talking to the Chamber about them administering the evaluation process, but the city would make the final decision.

Tim Ernster stated there were different alternatives we were looking at. One involved a formation of a board with representation from the city and other entities. It was going to include arts funding as well.

Mayor Adams stated the direction is to maintain the \$10,000.

Red Rock State Park

Brenda Robinson stated the Parks Benefactors and Volunteers thank you for the opportunity to share data with you. They work hard to keep a valuable asset for Sedona open. They market Sedona in very direct ways. Their web site has over 90,000 hits every year. They had advertising for our park in Sunset magazine in the past year. The park protects a historical site, the House of Apache Fires. She understands outside agencies are doing everything they can to sustain city funding. They agree that we all benefit from these community services. They have a workforce of over 100 volunteers. Seven full-time equivalent staff people were working a year ago, but that's cut down to four. They are a proven entity in support of this city for over 18 years. They have proven our worth over that period of time. The 2007 survey showed that the park guests paid \$4 million in lodging expenses for a one-year period. Slide Rock State Park guests spent only \$1 million. Red Rock State Park spends four times the amount in the area than those going to Slide Rock State Park. They're trying to do our best to raise money. At a recent benefit they raised \$15,000.

Mayor Adams stated we're \$25,822 under the cap staff recommended. We need to look at TIP, Red Rock State Park, Community Center, Teen Center and Arts & Culture. Do we want to spread that among any or all those organizations?

Mayor Adams asked if we have consensus to hit the cap or do we want to go under it? To hit a balanced budget we can still utilize the \$26,000.

Councilor Colquitt asked how the state decided which parks would close.

Brenda stated the parks took the total revenue, subtracted the cost and made their decision that way.

Councilor Colquitt asked how the study secured from the lodging where the people came from.

Councilor Colquitt stated it's a park for the Verde Valley. Have you gone to other communities in the valley asking for funding?

Brenda stated yes. In Northern Arizona University's report it showed \$17 million to Sedona and the surrounding area. They have received \$30,000 from Yavapai County and they're working on other ones.

Councilor Colquitt asked how we know the \$17 million came from state park contributions.

Alison Zelms stated it'd be sales tax off the \$17 million.

Councilor DiNunzio stated he supports the city supporting the benefactors. 100 people are working to preserve the park. It's a timing thing. He thinks Camp Verde has stepped up in keeping open Fort Verde and Cottonwood has stepped up for another park down

there. He's in favor of supporting Red Rock State Park for \$20,000. Over time the benefit to the community can become more clearly defined and understood, right now there's a need to get it done. The money is there. There's \$9 million in reserves. He supports spending the whole \$26,000.

Mayor Adams asked if Council supports spending the \$26,000? All we need to do is decide if we're going to spread it among the five or all or none of them.

Councilor Colquitt stated she agrees with it up to \$25,000.

Councilor Frey stated he agrees with that. When all the communities are scrambling to keep the parks open will the legislature dump it on us in the future to keep it open?

Tim Ernster stated it's speculation. They may assume we'll just keep them open. There is a risk of that. They could see us help fund the parks, so they won't restore the funding.

Alison Zelms stated there are no state parks in Maricopa County. It's not a state issue; it's a Northern Arizona issue.

Council agreed to spend the \$25,000.

Vice Mayor Hamilton stated the parks funding looks like a long-term endeavor. We can Scotch tape and Band-aid something together to keep it open this year, but next year we'll be in the same boat. He's looking for some sustainable revenue source. If this is so beneficial to Sedona, can we do something like add a quarter percent of bed tax to add to these things to keep them open. If we're going to Scotch tape it once, he'd like to have a longer game plan in mind.

Tim Ernster stated he'd be reluctant to tell you to use an increase in bed tax to fund the park. He'd like to consult with the attorney. You could always make the commitment for one year.

Councilor Frey stated wouldn't it be advisable to incorporate the state park into Sedona? There's no sales tax that goes into the city now.

Tim Ernster stated in a perfect world he'd love to annex the park and operate it. There's a lot of stuff between Sedona and Red Rock State park that you'd have to try to take in.

Birgit Lowenstein stated Red Rock State Park is a patent to the state and the patent stimulates the land be used as a park and a nature preserve.

Tim Ernster stated we wouldn't own the park, but it could be in our limits and we could have an agreement to operate the park.

Councilor DiNunzio stated he'd look to increase Sedona Community Center by \$3,000, Teen Center by \$1,000, TIP by \$1,000 and Red Rock State Park by \$20,000.

Mayor Adams stated he's concerned about being able to participate in the operating cost of performing arts. He suggested TIP \$2,500, \$2,500 to Teen Center, \$5,000 to SCC, \$8,000 to Red Rock State Park and \$7,000 to A&C. We're expected to be a player in the performing arts center.

Councilor Scagnelli suggested SCC \$1,000, Teen Center \$1,000, TIP \$500, Red Rock State Park \$20,000, and A&C \$107,500 for their programming.

Councilor Frey agreed with Councilor DiNunzio.

Councilor Colquitt is more in line with the mayor except for the performing arts center. She doesn't know what to do with that. She feels strongly about those organizations who are giving personal service to the elderly and young when times are tough. She confused with the arts. There was a private group of individuals who worked with the school for the performing arts center. When there's no response to what's-what...she doesn't know what to do there.

Councilor Scagnelli stated she thinks the school district is suffering more than the city with funding. If Proposition 100 doesn't pass it would be even worse. The community thought there'd be a professional director at the high school who'd be paid to manage that. The school district can't do that when they're laying off classroom teachers. They're probably going to try to get a teacher to do both. The reason she recommends the whole \$20,000 to the park is because if it falls into decay it become almost impossible to reopen. If we're going to do this at all we should put in the \$20,000 otherwise there's no point in putting anything into it.

Brenda stated it's difficult to fundraise with the park closed.

Mayor Adams stated he's not sure the difference between \$8,000 and \$20,000 will keep the park open. He doesn't want to take the money away from helping the elderly and youth of the community. The Arts & Culture is providing a direct benefit.

Councilor Surber stated we have \$25,000 in this year's budget for the performing arts center so he's fine with cutting it down to \$7,500 and putting \$7,500 in A&C special programs. He's in favor of giving \$20,000 to the park, \$3,500 to SCC, \$1,500 to Teen Center and \$500 to TIP which puts us at \$25,500.

Councilor Scagnelli agreed.

Vice Mayor Hamilton agreed with Councilor Surber. Having read the full text of the Gift Clause, it's clear that there's very limited possibility that A&C can come close to meeting the test of the Gift Clause. He guesses we'll have money that can't be legally given out in that category. If he were to extract money he'd take it from A&C. He'd go with what Councilor Surber had.

Councilor Frey agreed with Councilor Surber and Vice Mayor Hamilton.

Councilor Colquitt stated she doesn't want to go to \$20,000 for the park. She'd go to \$12,500 or \$15,000.

Mayor Adams stated we left out the Chamber.

Mike Ward stated if the city decided to allocate funds to the state park it'd be in the form of a pledge that you'd receive only if you reached your \$160,000 goal. In other words what happens if you don't raise enough money?

Birgit stated right now we have met \$50,000 to extend the park to October 31. We're working on an agreement where we have an extension until October 31 that is extendable until July 1 if we come up with the funds.

Mike Ward stated he's in favor of supporting the park, but he's talked to people who say in light of cutting staff and not giving raises, what are we doing putting money in the parks. If the park closes for a year, your volunteers drift away and find other things. There's a lot of justification for keeping it open. But if we're going to give money we need to sell it to the community why that's so important. If the school district comes up with a proposal, we have a reserve fund we could look at.

Dennis Rayner strongly supports the request of Red Rock State Park for education, the marketing we get to Sedona, and mother nature is the ultimate inspiration for all art. This \$20,000 cuts across all other organizations requesting money. We get a big bang for our buck.

Dan McIlroy stated Brenda had said there's a gap of \$160,000, if the city gives you \$20,000 how close are you?

Birgit stated if the benefactors can take over the gift shop, the gift shop can raise \$20,000 at a low estimate. If we run the gift shop this can be put back into operations and go toward the \$160,000. The city could enter into agreement with state parks to accept the contract for us. We have pledges now. We have a grant application for a certain amount that's contingent on the gift shop deal.

Brenda stated we're actively seeking donations.

Barbara Litrell asked are the employees currently state park employees.

Birgit stated the \$160,000 is the shortfall between the expense of the park and the gate revenue. The state park will keep the employees there.

Mayor Adams doesn't support \$20,000 for the park.

Councilor Scagnelli stated how about \$3,500 to Sedona Community Center, \$500 to TIP, \$1,500 to Sedona Teen Center, \$15,000 to Red Rock State Park, move the lines items in Arts & Culture to match their request, and \$5,000 to the Sedona Chamber of Commerce for Destination Marketing.

Mayor Adams, Councilor Colquitt, Councilor Frey agree to that.

Councilor DiNunzio stated he has heartburn of not following staff's recommendation to reduce A&C to \$100,000. Restoring them their \$7,500 to A&C might better be used for Destination Marketing and sustaining \$20,000 to Red Rock State Park. He hasn't heard any justification for reversing staff's recommendation for A&C. He supports finding the \$5,000 to fund Red Rock State Park so they have greater chance of reaching \$160,000.

Mayor Adams stated we have the votes to make the recommendation Councilor Scagnelli made.

Mayor Adams directed staff to go with Councilor Scagnelli's final numbers.

Items not completed at this meeting will be carried over to Friday May 7, 2010 2:30 p.m. Special Budget Work Session Meeting.

5. **Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:**
 - a. **To consult with legal counsel for advice on matters listed on this agenda per A.R.S. §38-431.03(A)(3).**

Following any discussions in executive session of the above matter, the City reserves the right to discuss and/or act on any of the above listed legal matters in open session.

6. **Return to open session. Discussion/possible action on executive session items.**
7. **Adjournment:** Mayor Adams adjourned the meeting at 6:33 p.m. without objection.

I certify that the above is a true and correct summary of the Special City Council Budget Work Session held on May 6, 2010.

Alison Carney, Recording Secretary

Date

